

AMERICAN STORES COMPANY

Philadelphia

Annual Report

**TO THE STOCKHOLDERS
FOR THE YEAR 1948**

President WILLIAM PARK
**Vice-President and
General Manager FRED J. HEANEY**
Vice-President FRED W. JOHNSON
Vice-President WM. H. EDEN
Secretary E. A. COLSON
Treasurer WILLIAM GOULD
Assistant Treasurer S. C. ARCHER
Assistant Treasurer JOHN R. PARK
Assistant Secretary J. V. KEERS
Assistant Secretary A. J. FAULHABER

SAMUEL ROBINSON WILLIAM PARK
E. J. FLANIGAN WM. M. M. ROBINSON
JAMES K. ROBINSON* JOSEPH GILFILLAN
JOHN M. HANCOCK WILLIAM GOULD
FRED J. HEANEY JAMES M. SKINNER

***Deceased February 27, 1949**

*Notice of annual meeting of stockholders to be held
April 20, 1949, Proxy and Proxy Statement will be
mailed on or about March 31, 1949 to stockholders
of record at the close of business March 4, 1949.*

AMERICAN STORES COMPANY

424 North Nineteenth Street, Philadelphia 30, Pa.

AMERICAN STORES COMPANY

and Subsidiary Companies

Five Years' Summary

	1948	1947	1946	1945	1944
Sales.....	\$417,466,738	\$388,613,836	\$314,574,528	\$233,541,509	\$227,630,084
Profit before Income					
Taxes.....	9,432,821	9,954,888	14,103,948	6,540,192	6,351,590
Federal and State Taxes					
on Income.....	3,770,000	4,030,000	5,807,000	4,565,000	4,520,000
Net Income.....	5,662,821	5,924,888	4,501,348*	1,975,192	1,831,590
Per Share:					
Earnings.....	\$4.35	\$4.55	\$3.45*	\$1.51	\$1.40
Dividends.....	1.75	1.75	1.20	1.00	1.00
Capital Stock and Surplus	42,608,342	39,222,831	35,575,253	32,635,489	31,961,617
Current Assets.....	55,395,730	56,106,502	47,783,604	32,171,733	30,922,359
Current Liabilities.....	16,516,246	16,309,740	21,808,569	10,347,568	9,768,857
Working Capital.....	38,879,484	39,796,762	25,975,035	21,824,165	21,153,502
Number of Retail Stores					
at Year-end:					
Self-service Super					
Markets.....	761	708	665	606	595
Other Stores.....	1,072	1,213	1,347	1,358	1,425
Total Stores.....	1,833	1,921	2,012	1,964	2,020

**After special reserves of \$3,795,600*

TO THE STOCKHOLDERS

The annual report of your Company for the year ended December 31, 1948 is presented herewith together with a consolidated balance sheet as of that date, a statement of consolidated income and surplus for the year, comparisons in each case with the previous year, and the certificate of Barrow, Wade, Guthrie and Co., independent public accountants.

Sales, Earnings and Dividends

Sales volume in 1948 was higher than in any previous year. Total sales of \$417,466,738 were \$28,852,902 or approximately 7.42% greater than 1947 sales of \$388,613,836. After provision of \$3,770,000 for Federal and State income taxes net income for the year amounted to \$5,662,821. This was equivalent to \$4.35 per share of stock outstanding. In the year 1947, net income after provision for Federal and State income taxes amounted to \$5,924,888 or \$4.55 per share. Increased operating costs accounted principally for the decline in earnings.

Four quarterly dividends of 35¢ each and a special dividend of 35¢ totalling \$1.75 were declared during the year 1948, which corresponded with the dividends declared during the previous year.

Inventories

Food prices in general continued to rise in 1948 until September, when a reversal of the trend occurred. The decline which commenced at that time has continued to the present when prices of many items of merchandise are appreciably below the levels of a year ago. The extent and rate of any continuation of this decline is unpredictable, but the management recognizes that the situation requires a cautious purchasing policy. Total inventories of \$41,120,952 at the year-end are conservatively priced at replacement cost or less and are 6.37% less than the inventories on hand at the end of the preceding year.

Property Improvements

Additions and improvements during the year amounted to \$5,617,130 and provision for depreciation was made in the sum of \$1,946,817.

The warehouse and office building at Wilkes-Barre, Pa. is substantially completed and it is expected that operations will be transferred to the new building during the month of May. The most modern developments in food warehouse construction and materials handling equipment are embodied in the one-story building and this addition to our distributing facilities should result in improved service to stores in the area. Considerable improvements were made during the year to other plant properties.

Store Operations

At the year-end, 1833 retail stores were in operation compared to 1921 at the end of the preceding year, a decrease of 88 units. The number of self-service markets in operation at the end of the year totalled 761, an increase of 53 over the preceding year.

In keeping with the Company's policy, additional self-service markets will be opened as rapidly as conditions justify. The trend continues toward the larger markets which offer opportunities for lower operating costs through higher sales volume. The invest-

ment required for fixtures and inventory in this type of market is, of course, many times that which was required for the conventional grocery store.

During the year, many of the older markets were modernized and new fixtures and equipment installed. This program will be continued during the coming year in stores where the required expenditure is justified by sales potentialities.

The self-service merchandising of meats, fresh fruits and vegetables in pre-packaged consumer units was developed further during the year and the customer response appears to justify continued study.

Change in Business Year

During the year the Board of Directors adopted resolutions to amend the by-laws as follows: (1) beginning in 1949, the Company's business year will end on the Saturday nearest March 31, instead of December 31, as at present, and (2) beginning in 1950, the Annual Stockholders' Meeting will be held on the third Wednesday of June.

In the adoption of what the Board of Directors believe to be a natural business year, the taking of year-end inventories and the annual closing of accounts should be facilitated.

Stockholders will receive financial statements for the three months ending April 2, 1949. Thereafter, the Company will issue an annual report for the fiscal year ending on the Saturday nearest March 31 and a condensed midyear report for the period ending on or near September 30.

Employee Relations

At the end of the year 202 retired employees were receiving retirement income payments under the Supplementary Employees Retirement Plan and 24 were receiving income under the early retirement provision of the Employees Retirement Plan.

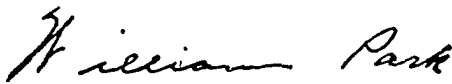
Payments to the Equitable Life Assurance Society with respect to the Employees Retirement Plan totalled \$1,237,338 in 1948, \$595,238 being the Company's portion of the current cost and the balance representing approximately 20% of the initial past service liability.

Death benefits amounting to \$106,000 were paid to the beneficiaries of deceased employees under the Company's group life insurance program during the year.

Approximately 2,500 men and women attended the Company's various training schools during the year where they were given the opportunity to learn how to perform their particular tasks more effectively. The training program was expanded in 1948 by the addition of a meat training course to the school's curriculum.

JAMES K. ROBINSON

It is with a feeling of sadness that we record the death of Mr. James K. Robinson on February 27, 1949. Mr. Robinson was one of the founders of the Company and served as Vice-President and General Manager from shortly after the inception of the Company until his retirement on April 21, 1948. He also served as a Director of the Company from 1919 until his death.


President

March 15, 1949.

American Stores Company

Comparative Consolidated Balance Sheet

ASSETS

	December 31	
	1948	1947
CURRENT ASSETS		
Cash.....	\$12,448,102	\$10,474,913
Accounts Receivable.....	1,826,676	1,711,846
Inventories—at lower of cost or market.....	41,120,952	43,919,743
TOTAL CURRENT ASSETS.....	<u>55,395,730</u>	<u>56,106,502</u>
Mortgages, etc.....	219,833	274,001
FIXED ASSETS		
Land, Buildings, Machinery, Equipment, Fix- tures, etc.—at cost.....	33,606,451	29,280,465
Less: Reserve for Depreciation.....	<u>12,500,431</u>	<u>11,603,791</u>
	<u>21,106,020</u>	<u>17,676,674</u>
Unamortized Cost of Leasehold Improvements....	837,472	563,159
Goodwill.....	1	1
DEFERRED CHARGES		
Prepaid Insurance, Taxes, etc.....	742,156	525,822
	<u>\$78,301,212</u>	<u>\$75,146,159</u>

NOTES PAYABLE, DUE 1952-67: Interest on the remaining \$7,500,000 at 3% per annum, notes repayment beginning August 1, 1952 at the rate of 4½% per annum. The notes contain restrictions as to the reacquisition and retirement of shares of the Company and December 31, 1947 consolidated earnings, respectively, was free of the said restrictions.

and Subsidiary Companies

and Balance Sheet

LIABILITIES AND CAPITAL

	December 31	
	1948	1947
CURRENT LIABILITIES		
Notes Payable—Bank.....	\$ —	\$ 1,000,000
Accounts Payable and Accrued Charges.....	10,696,627	9,361,637
Dividend Payable.....	910,924	910,924
Accrued Federal and State Taxes.....	806,415	764,644
Reserve for Federal Taxes on Income.....	4,102,280	4,272,535
TOTAL CURRENT LIABILITIES.....	16,516,246	16,309,740
Purchase Obligations.....	171,879	229,172
Notes Payable, due 1952-67.....	15,000,000	15,000,000
RESERVES		
Possible Inventory Price Declines.....	1,500,000	1,500,000
Employees' Retirement Income Benefits.....	1,680,231	2,096,379
Contingencies.....	824,514	788,037
	4,004,745	4,384,416
CAPITAL STOCK AND SURPLUS		
Common Stock—no par value		
Authorized—1,500,000 shares		
Issued and Outstanding—1,301,320 shares.....	18,008,555	18,008,555
Earned Surplus.....	24,599,787	21,214,276
	42,608,342	39,222,831
	\$78,301,212	\$75,146,159

is at the rate of 2 $\frac{7}{8}$ % per annum and on notes are due August 1, 1967, subject to 4 $\frac{1}{2}$ % annually of the principal sum bor- lent of cash dividends on common stock and of the company. As of December 31, 1948 to the extent of \$8,033,089 and \$4,647,578,

American Stores Company and Subsidiary Companies

Comparative Statement of Consolidated Income and Surplus

INCOME ACCOUNT

	Year ended December 31	
	1948	1947
Sales—Retail Stores.....	\$409,106,198	\$380,861,053
Sales—Others.....	8,360,540	7,752,783
	<u>417,466,738</u>	<u>388,613,836</u>
COST OF SALES AND OPERATING EXPENSES		
Cost of Merchandise Sold, including Warehousing and Transportation Expenses.....	355,230,257	331,247,465
Wages, Rents, Advertising, Operating and Administrative Expenses.....	50,414,042	45,578,964
Depreciation.....	1,946,817	1,644,268
	<u>407,591,116</u>	<u>378,470,697</u>
PROFIT FROM OPERATIONS.....	<u>9,875,622</u>	<u>10,143,139</u>
Interest on Loans, etc.....	457,040	196,797
Less: Miscellaneous Income.....	14,239	8,546
	<u>442,801</u>	<u>188,251</u>
PROFIT BEFORE INCOME TAXES....	<u>9,432,821</u>	<u>9,954,888</u>
Federal and State Income Taxes.....	3,770,000	4,030,000
NET INCOME.....	<u>\$ 5,662,821</u>	<u>\$ 5,924,888</u>

EARNED SURPLUS

Balance at beginning of year.....	\$ 21,214,276	\$ 19,721,206
Net Income for year.....	5,662,821	5,924,888
	<u>26,877,097</u>	<u>25,646,094</u>
Dividends—\$1.75 per share.....	2,277,310	2,277,310
Excess of cost over average paid-in value of 98,680 shares of common treasury stock retired and cancelled.....	-	2,154,508
	<u>2,277,310</u>	<u>4,431,818</u>
BALANCE AT END OF YEAR.....	<u>\$ 24,599,787</u>	<u>\$ 21,214,276</u>

BARROW, WADE, GUTHRIE & CO.

Accountants and Auditors

Girard Trust Building

Philadelphia, Pa

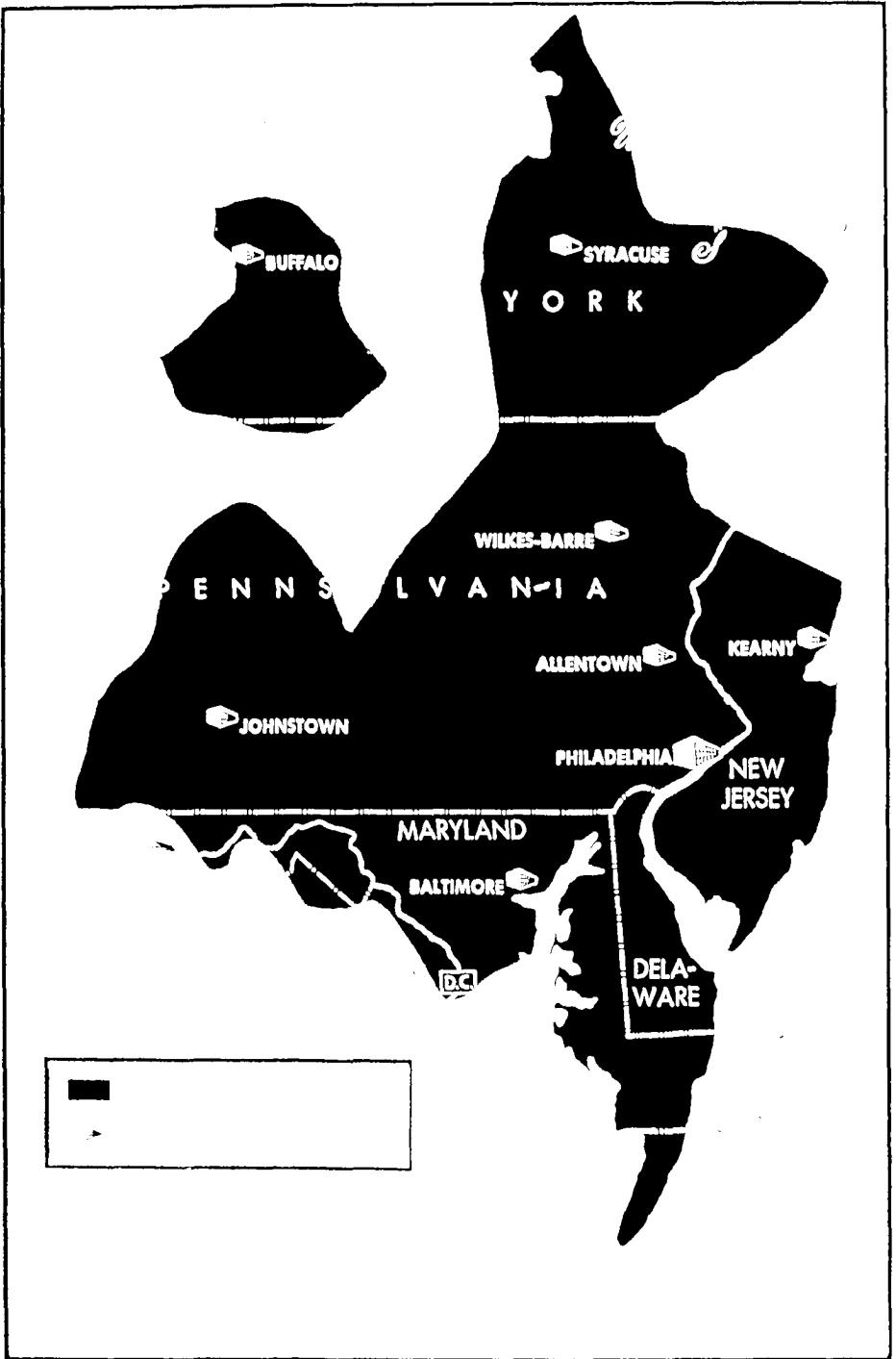
*To the Board of Directors of
American Stores Company:*

We have examined the consolidated balance sheet of American Stores Company and its subsidiary companies as of December 31, 1948 and 1947, and the related statement of consolidated income and surplus for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated income and surplus present fairly the consolidated financial position of American Stores Company and its subsidiary companies at December 31, 1948 and 1947, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BARROW, WADE, GUTHRIE & CO.

March 1, 1949



REGISTRARS

Liberty Title & Trust Company
Philadelphia, Pa.

City Bank Farmers Trust Company
New York, N. Y.

TRANSFER AGENTS

The Pennsylvania Company for Banking and Trusts
Philadelphia, Pa.

Commercial National Bank & Trust Company
New York, N. Y.

Printed in U. S. A.

